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INTRODUCTION

Marquette County Prosecuting Attorney (Family Support) (PA) had a contract with the Michigan Family Independence Agency (FIA) to establish paternity and to obtain support orders for all cases where the Marquette County PA had jurisdiction. The Marquette County PA billed FIA monthly under the actual cost reimbursement billing method. FIA reimbursed Marquette County PA for their costs based on the Federal IV-D Program regulations.

SCOPE

We performed an audit of the costs submitted for reimbursement by the Marquette County PA for the period January 1, 1999 through September 30, 1999. We also performed an audit of the costs submitted for reimbursement by the Marquette County PA for the period October 1, 1999 through December 31, 1999. Our audits were conducted in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We performed the audit tests that we determined were necessary to determine if the costs charged were proper, accurate, documented, and charged in accordance with the terms of the contract.

EXECUTIVE SUMMARY

We found that the Marquette County PA overbilled the FIA for some line items, and underbilled for others, for the period January 1, 1999 through September 30, 1999. The State share of the net amount overbilled was \$3,726. We also found that the Marquette County PA overbilled the FIA for some line items and underbilled for others for the period October 1, 1999 through December 31, 1999. The State share of the net amount overbilled was \$1,087. (See Schedule A.)

Our report recommends the Family Services Administration initiate the process to recoup a total of \$4,813 (\$3,726 + \$1,087) from the Marquette County PA.

FINDINGS

Other Direct Billed not in Agreement with the General Ledger

1. The Marquette County PA overbilled the FIA \$569 for January 1, 1999 through September 30, 1999 Other Direct costs. The billed costs did not agree with the costs contained in the general ledger. The general ledger is a source document for the billings. (See Schedule A.)

Building Rent

2. The Marquette County PA overbilled \$3,574 for January 1, 1999 through September 30, 1999 building rental. The Marquette County PA also overbilled \$1,191 for October 1, 1999 through December 31, 1999 building rental. The Marquette County PA billed rent as part of Other Direct for the use of a building owned by Marquette County. Based upon the 1998 Marquette County indirect cost plan (the 1999 indirect cost plan was not complete at the time of the audit) a use charge will also be billed as part of Central Services for the use of the building. The same cost cannot be billed both directly and as part of central services. Also the rental costs billed exceeded the amount that would have been allowable under Attachment B, Section 38 of OMB Circular A-87 (A-87). (See Schedule A.)

Termination Pay – Central Services

3. The Marquette County PA underbilled \$321 for January 1, 1999 through September 30, 1999 termination pay. The Marquette County PA also underbilled \$107 for October 1, 1999 through December 31, 1999 termination pay. Termination pay was allocated to various county departments through the Marquette County 1997 Indirect Cost Plan (used to bill 1999). Termination pay was allocated to the last department in which an employee worked. Under Attachment B, Section 11.d (3) of A-87, this benefit must be allocated as a general administrative expense. (See Schedule A.)

Retiree Payroll - Central Services

4. The Marquette County PA underbilled \$31 for January 1, 1999 through September 30, 1999 retiree payroll. The Marquette County PA also underbilled \$10 for October 1, 1999 through December 31, 1999 retiree payroll. Retiree payroll was allocated to various county departments through the Marquette County 1997 Indirect Cost Plan (used to bill 1999). Retiree payroll was allocated to the last department in which an employee worked. Under Attachment B, Section 25.e of A-87, this benefit must be allocated as a general administrative expense. (See Schedule A.)

Retirees' Hospitalization – Central Services

5. The Marquette County PA overbilled \$1,425 for January 1, 1999 through September 30, 1999 retirees' hospitalization. The Marquette County PA also overbilled \$475 for October 1, 1999 through December 31, 1999 retirees' hospitalization. Retirees' hospitalization was allocated to various county departments through the Marquette County 1997 Indirect Cost Plan (used to bill 1999). Retirees' hospitalization was allocated to the last department in which an employee worked. Under Attachment B, Section 25.e of A-87, this benefit must be allocated as a general administrative expense. (See Schedule A.)

Unemployment – Central Services

6. The Marquette County PA underbilled \$246 for January 1, 1999 through September 30, 1999 unemployment. The Marquette County PA also underbilled \$82 for October 1, 1999 through December 31, 1999 unemployment. Unemployment was allocated to various county departments through the Marquette County 1997 Indirect Cost Plan (used to bill 1999). Unemployment was allocated to the last department in which an employee

worked. Under Attachment B, Section 25.e of A-87, this benefit must be allocated as a general administrative expense. (See Schedule A.)

Internal Service Funds, Effect on the 1999 Indirect Cost Plan

7. Copy, telephone, and computer costs were accounted for in the Copy/Computer fund, an internal service fund. Copy costs and telephone costs were charged, in 1999, to all departments including the PA. Computer costs are not charged to the PA but some of the departments that are charged computer costs allocated their costs to the PA through the indirect cost plan. Attachment C, Section G. 2 of A-87 limits the reserves in an internal service fund to sixty days of working capital. As of December 31, 1999 sixty days working capital for the Copy/Computer fund would have equaled approximately \$40,000. The retained earnings balance in the fund at December 31, 1999 was \$541,032. In addition the Attachment B, Section 25 of A-87 restrictions and requirements related to reserves and the crediting of investment income to reserves were not met. No adjustment is made in the audit period because the copy and telephone portions of the fund did not appear to make money in the audit period and the 1999 indirect cost plan was not yet completed.

The costs charged by the Copy/Computer fund to the PA, and to the departments that allocate costs to the PA through the indirect cost plan, should be actual cost and should be reduced for any excess working capital in the Computer/Copy fund. If an operating transfer-out is used to reduce working capital, the departments that have been charged for costs should receive a credit.

Fringe Benefit Costs Allocated by the General Fund

8. Hospitalization and Workers' Compensation costs were paid by the General Fund and then allocated to the various departments by the payroll system. Although it appeared

that the PA was allocated its appropriate share of the costs it was not clear that the exact actual cost was charged. Marquette County needs to assure that the payroll system is accurately distributing the actual costs because the CRP contract requires that only actual costs be charged.

WE RECOMMEND the Family Services Administration initiate the process to recoup a total of \$4,813 (\$3,726 + \$1,087) from the Marquette County PA.

WE ALSO RECOMMEND that the Family Services Administration review the 1999 Marquette County indirect cost plan (used to bill 2001) to assure copy/computer costs of departments that allocate costs to the PA meet the excess working capital requirements of A-87.

Finding #	Line Item	Audit Period	(Over)/Under Billed Gross Amount	IV-D %	(Over)/Under Billed IV-D Amount	Due (State) County
1	Other Direct	1/1-9/30 1999	(569)	100.00%	\$ (569)	
2	Other Direct	1/1-9/30 1999	(3,574)	100.00%	\$ (3,574)	
3	Central Services	1/1-9/30 1999	321	100.00%	\$ 321	
4	Central Services	1/1-9/30 1999	31	100.00%	\$ 31	
5	Central Services	1/1-9/30 1999	(1,425)	100.00%	\$ (1,425)	
6	Central Services	1/1-9/30 1999	246	100.00%	\$ 246	
Grand Total of the IV-D Audit Adjustments					<u>\$ (4,971)</u>	

Calculation of the Payment Due the (State) County

	Paternity Testing	Total
Audited IV-D Amount	105,528 472	106,000
IV-D Amount Used for the Payments Actually Made	(110,499) (472)	(110,971)
IV-D Audit Adjustment Due (State) County	(4,971) -	<u>(4,971)</u>
State Share %	74.95% 100.00%	
	<u>(3,726) \$ -</u>	<u>(3,726)</u>

2	Other Direct	10/1-12/31 1999	(1,191)	100.00%	\$ (1,191)
3	Central Services	10/1-12/31 1999	107	100.00%	\$ 107
4	Central Services	10/1-12/31 1999	10	100.00%	\$ 10
5	Central Services	10/1-12/31 1999	(475)	100.00%	\$ (475)
6	Central Services	10/1-12/31 1999	82	100.00%	\$ 82
Grand Total of the IV-D Audit Adjustments					<u>\$ (1,467)</u>

Calculation of the Payment Due the (State) County

Paternity Total

	Testing		
Audited IV-D Amount	42,331	198	42,529
IV-D Amount Used for the Payments Actually Made	(43,798)	(198)	(43,996)
IV-D Audit Adjustment Due (State) County	(1,467)	-	(1,467)
State Share %	74.12%	100.00%	
	(1,087)	\$ -	(1,087)